

# The Interim

A Monthly Publication  
October 2014 Issue



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Click on the Events Calendar  
for up-to-date information  
on committee meetings.

## Veteran Legislators Needed for Orientation Sessions

Calling all legislators! Do you remember those first few days and weeks as a freshman lawmaker? When the rules seemed arcane and useless? When you couldn't even find the nearest bathroom? Remember the "drinking from a firehose" feeling when you attended your first committee meetings and floor sessions? Or those parts of the legislative process that you learned the hard way?

If so, we need you.

The legislative staff is recruiting veteran legislators who are willing to mentor the newest crop of freshmen during the fall orientation events.

"Wait," you say. "I know nothing of mentoring. What do I need to do?"

The tasks are simple: attend the fall orientation sessions and share the lessons you've learned in your legislative career. The Nov. 12-14 orientation takes place in conjunction with legislative caucus meetings, so you'll likely already be in Helena and available to help smooth the pathways for incoming legislators.

Each legislator who attends orientation will be part of a small mentor group. The groups are designed to give legislators a chance to meet one another and staff and to learn the legislative ropes as part of a small group. Feedback from past orientations has shown that many newly elected legislators felt that hearing from other legislators who have gone through the steep learning curve was the most beneficial part of orientation.

And that's where you come in. **We need your experience, advice, and stories.** We need you to attend orientation, to participate in the mentor groups and other panels, and to pass along the lessons you've learned so far in your legislative career.

In fact, the first mentor group meeting will be for experienced legislators to share the things they wish they had known during their first term. Your participation in those panels will be crucial. You are the only ones who know what it feels like to be a freshman legislator.

Other opportunities to share your hard-earned wisdom include panel discussions on managing time and workload, getting legislation enacted, and working with the media, constituents, and lobbyists. And these are just the formal opportunities. During mentor groups, training events, and the ever-popular orientation banquet, you'll have informal time to meet the new legislators and to deepen relationships with the ones you already know.

Convinced? Then please contact Rachel Weiss or Hope Stockwell to sign on. Rachel can be reached at 406-444-5367 or [rweiss@mt.gov](mailto:rweiss@mt.gov). Hope can be reached at 406-444-9280 or [hstockwell@mt.gov](mailto:hstockwell@mt.gov).

## Mark These Dates!

The Legislative Council has scheduled a series of events and trainings between Election Day on Nov. 4 and the start of the 2015 legislative session on Jan. 5, as follows.

Event	Date
Caucus Breakfasts	Wednesday, Nov. 12, 8 a.m.
House and Senate Caucuses	Wednesday, Nov. 12, 10 a.m.
Legislator Orientation	Wednesday, Nov. 12, 1 p.m., through noon on Friday, Nov. 14
Legislative Dinner	Wednesday, Nov. 12, 6 p.m.
Rules Committees: Training and Hearing on Rules	Wednesday, Dec. 3, morning
Presiding Officer Training	Wednesday, Dec. 3, afternoon
Ethics/Budget Training	Thursday, Dec. 4, 2014
Start of the 64th Legislative Session	Monday, Jan. 5, 2015, noon House and Senate Chambers

## Children and Families Committee Advances Mental Health, Prescription Drug Bills

The Children, Families, Health, and Human Services Interim Committee agreed at its final meeting in August to send the 2015 Legislature nine bills related to its two assigned studies. Members also approved as a committee bill a proposal to fund mental health crisis diversion services for children.

The committee approved six bills related to its House Joint Resolution 16 study of state-operated institutions. All of the bills appropriate money for community-based mental health services designed to relieve pressure on the state facilities that serve people with mental health disorders, particularly the Montana State Hospital and the state prisons.

In addition, the committee approved three bills stemming from its Senate Joint Resolution 20 study of prescription drug abuse, including a bill to increase and extend the fee that helps fund the operation of the Montana Prescription Drug Registry.

### HJR 16 Study Results

During the interim, committee members heard panel presentations and public comment about the effectiveness of community mental health crisis services that are designed to prevent people from being committed to the Montana State Hospital or entering the criminal justice system. As a result, the committee agreed to introduce the following measures:

- LC 337, to appropriate \$345,000 in each year of the next two-year budget period for five additional Department of Public Health and Human Services employees who will work with intellectually disabled individuals who are in community placements but are experiencing a mental health crisis that could result in commitment to the Montana Developmental Center;
- LC 338, to appropriate \$2 million in the next biennium for an existing grant program that funds county-level mental health crisis intervention and jail diversion activities, with the additional money targeted at creating new or expanded services;
- LC 339, to appropriate \$600,000 in each year of the next biennium to pay for additional secure community-based beds for individuals being detained for mental health evaluations because they pose a danger to themselves and others and may need to be committed to the Montana State Hospital;
- LC 341, to appropriate \$3 million to the Department of Corrections to contract for a prerelease center that would serve people who have been convicted of a crime but found to be mentally ill at the time the crime was committed;
- LC 342, to appropriate \$3 million in the next biennium for DPHHS to operate a transitional mental health group home for individuals found to be guilty but mentally ill and for individuals who were found to be not guilty of a crime because of their mental illness; and
- LC 347, to appropriate \$1 million for the biennium to pay for up to 14 days of community-based inpatient mental health treatment for individuals who are involved in an involuntary commitment proceeding and who agree to undergo voluntary treatment while the commitment proceeding is suspended.

## SJR 20 Study Results

In completing its SJR 20 study of prescription drug abuse, committee members agreed to advance three bills they had considered in the final months of the study.

The committee heard throughout the interim that prescription drug monitoring programs can be used as a tool to reduce abuse of the drugs. They also heard concerns about and proposals for changes to the Montana Prescription Drug Registry, which was created in 2012, and they reviewed the costs of operating and making improvements to the registry.

The registry has been funded largely by federal grants. State law also allows the Board of Pharmacy to assess a \$15 fee on people who prescribe, dispense, or distribute prescriptions containing controlled substances. That fee is expected to bring in about \$94,000 in this fiscal year but will expire on July 1, 2015, without further legislative action.

The committee agreed to introduce LC 340, to allow the Board of Pharmacy to increase the fee to a maximum of \$30 and to extend the fee until June 30, 2017. The bill also would allow the board to assess the fee on any person whose license authorizes the prescribing, dispensing, or distributing of controlled substances, even if the person doesn't actually prescribe or dispense the drugs.

In looking at funding options for the registry, members discussed the idea of charging a penny per pill for controlled substances prescriptions to raise additional money. However, the committee voted against proceeding with that idea.

The committee also reaffirmed in August that it would introduce as committee bills:

- LC 336, which would allow electronic prescribing of controlled substances prescriptions; and
- LC 335, which would allow health care providers to notify law enforcement when they believe patients are illegally obtaining prescription painkillers or may pose an imminent threat to public health or safety. The bill also would provide immunity to providers who share the information.

During the study, the committee considered — but did not proceed with — bill drafts that would have required an adult to pick up a controlled substances prescription for a minor and would have required certain health care licensing boards to adopt uniform rules for the use of opioid drugs in managing chronic, noncancer pain.

## Youth Crisis Diversion

At the request of children's mental health advocates, the committee agreed to introduce legislation to provide state funding for pilot projects for youth mental health crisis

services. LC 334 would appropriate \$1.2 million in the next biennium to fund up to six community-based efforts to provide services to youth in their homes or communities and avoid placement in more restrictive and expensive treatment settings.

Advocates had provided the committee with information in June on projects that are under way in several areas of the state to improve local response and develop local services for youth experiencing a mental health crisis. The projects are funded with private and federal funds that are set to expire in the next year. LC 334 would continue funding of the youth crisis diversion efforts for another two years.

## Other Topics

Also at the final meeting, the committee heard an update on the progress the State Auditor's Office is making in developing standards for health insurer payments to health care providers who are part of a so-called "patient-centered medical home." Senate Bill 84, authorized by the 2013 Legislature, allowed for the creation of medical homes in which providers who meet certain standards receive enhanced payments from health insurers for providing comprehensive, coordinated care to patients. Adam Schafer, deputy commissioner of securities and insurance, discussed the process used to create standards for providers. In the next interim, the insurers and providers who have participated in the medical home model must report to the committee on any cost savings achieved by use of the model.

Karl Rosston, DPHHS suicide prevention coordinator, said the department is updating its Strategic Suicide Prevention Plan to more closely align the objectives for Montana with the 2012 National Strategy for Suicide Prevention. Rosston also presented updated data showing that 231 Montanans committed suicide in 2013. That translates into a suicide rate of 22.8 per 100,000 people, compared with a national rate of 12.7. Firearms were the leading cause of death, used in 63 percent of Montana suicides. Rosston discussed the efforts that will be made to promote safe storage of firearms, create greater awareness of the signs of potential suicide among the general population, and increase training in suicide prevention for law enforcement officers, health care providers, schools, and tribes.

## Committee Information

For more information on the committee's activities during the interim, visit the committee's Web site or contact Sue O'Connell, committee staff.

Committee Web Site: [www.leg.mt.gov/cfhhs](http://www.leg.mt.gov/cfhhs)

Committee Staff: [soconnell@mt.gov](mailto:soconnell@mt.gov) or 406-444-3597

## Economic Affairs Committee Votes to Cull Agency Advisory Councils

A requirement to determine if statutory advisory councils ought to stay or go, shoehorned into the last Economic Affairs Interim Committee meeting Sept. 12, resulted in a proposed bill to give the boot to all advisory councils related to state agencies that the committee monitors.

That bill, along with four other committee bills, will go before the 64th Legislature when it convenes Jan. 5.

The advisory councils attached to agencies monitored by the committee are the Tourism Advisory Council, the Economic Development Advisory Council, the Noxious Weed Management Advisory Council, the Noxious Weed Seed Free Forage Advisory Council, the Organic Commodity Advisory Council, the Advisory Council on Continuing Education for Insurance Licensees, and the Advisory Council on Risk Management Activities.

The directions for the bill requested by Sen. Dick Barrett, LC 410, included permission for agency directors to continue to establish advisory councils that they decide are necessary, as allowed under 2-15-122, MCA, but to remove the statutory requirement for the councils. The bill also will require an agency to pay for any new advisory council using existing funding.

Other committee bills endorsed at the Sept. 12 meeting were:

- LC 411, requiring workers' compensation insurers to provide loss information to policyholders;
- LC 412, authorizing a process for temporary appointments to vacancies in the Workers' Compensation Court; and
- LC 413, revising the impairment level at which an injured worker who has wage loss may obtain vocational rehabilitation benefits.

The committee also agreed to expand the title for LC 252, which would allow raw honey to be sold at farmers' markets without a special license. The change would allow raw honey to be used in bartering.

The committee decided against moving forward on a much-studied bill draft to regulate — through the State Auditor's Office — the Montana State Fund, which serves as the state's guaranteed market for workers' compensation insurance. The State Auditor's Office regulates private insurance companies and captive insurers who provide workers' compensation but does not currently regulate the Montana State Fund.

The question of how to regulate a workers' compensation insurer whose license cannot be removed for noncompliance

was the main stumbling block that prevented the committee from pursuing the bill draft. However, both the State Auditor's Office and the Montana State Fund indicated they would continue to seek common ground on the proposed regulation. Sen. Bruce Tutvedt, the committee's presiding officer, has submitted his own request for a bill to accomplish the change in regulation.

Another bill draft that emerged from committee discussions but is being requested by an individual legislator is LC 409, which would repeal the Board of Private Alternative Adolescent Residential or Outdoor Programs. The bill would put licensure of these facilities and programs for mostly troubled youths under the Department of Public Health and Human Services. The rationale for the change is that the Department of Labor and Industry, to which the board is administratively attached, primarily licenses people in professions and occupations and does not license facilities. DPHHS, meanwhile, licenses day-care centers and other facilities.

Rep. Ryan Lynch, vice presiding officer of the committee, requested LC 409.

## Other Topics

In other activities, the committee:

- approved for early drafting and pre-introduction slightly more than 50 agency-requested bills from the departments of Agriculture, Commerce, Labor and Industry, and Livestock as well as from the State Auditor's Office and the Division of Banking and Financial Institutions;
- heard summaries of required reports from the Livestock Loss Board, the Montana Heritage Preservation and Development Commission, and the Department of Commerce; and
- heard a proposed bill draft endorsed by the Labor-Management Advisory Council in the Department of Labor and Industry to begin a process to move oversight of the Occupational Safety and Health Act to state officials instead of the federal government. The committee looked at this topic and several of the other workers' compensation bill drafts as part of its House Joint Resolution 25 study of workers' compensation.

## Committee Information

For more information about the committee's activities during the interim, visit the committee's Web site or contact Pat Murdo, committee staff.

Committee Web Site: [www.leg.mt.gov/eaic](http://www.leg.mt.gov/eaic)

Committee Staff: [pmurdo@mt.gov](mailto:pmurdo@mt.gov) or 406-444-3594

## ELG Approves Bills for Public Records Law Rewrite, Incident Management Assistance

The Education and Local Government Interim Committee decided in September to recommend two bills to the 2015 Legislature.

The committee concluded its interim work Sept. 15-16 and spent a considerable amount of time reviewing and amending a bill to revise Montana's public records laws before unanimously approving the measure as a committee bill. The bill, LC 448, resulted from a recommendation of the House Joint Resolution 2 Work Group, which the committee formed to investigate electronic records management in state and local government.

The committee reviewed a preliminary bill draft in June and discussed several changes. In advance of the September meeting, the committee received comments from the Montana Newspaper Association and discussed those comments and other matters before making several changes to the draft.

The committee in June also had heard a concern from representatives of Montana's emergency response community about the need for deployment of all-hazard incident management assistance teams when events exceed the capacity of local management but do not trigger emergency declarations. The committee considered and unanimously approved LC 406 to address that concern.

### Early Childhood Education

As part of its review of administrative rule changes, the committee discussed new preschool accreditation standards under review by the Board of Public Education. Much of the discussion centered on the potential impacts of state-funded preschool on current private providers. Several members also questioned whether requiring licensure of preschool teachers was an effective way of ensuring quality.

The committee approved a resolution opposing the preschool accreditation standards as proposed, on a 6-5 vote. The committee also received an update from the Governor's Office on Gov. Steve Bullock's proposal for universal, voluntary preschool for 4-year-olds.

Although the governor's proposal is still taking shape, speakers told the committee that:

- the program is expected to cost \$37 million over the next two-year budget period, with school districts receiving \$30,000 for every group of 10 children who enroll in the program;
- the state would provide funding for half-day programs, but school districts could choose to implement full-day

programs as long as they can fund the additional costs; and

- school districts will be able to partner with existing Head Start programs and local, private providers to implement preschool programs as long as the existing programs meet the new accreditation standards. The governor's proposal emphasizes the need for preschool programs to be "high quality" with the new preschool program accreditation standards establishing the criteria that the programs must meet.

### Shared Policy Goals for Education

The Subcommittee on Shared Policy Goals for Education presented its final report to the committee along with two shared policy goal documents, one for the Montana university system and one for the K-20 system. The subcommittee report included recommendations emphasizing continuing and improved collaboration between education stakeholders in the state, as well as a list of topics that future shared policy goal efforts might consider.

The committee accepted the report and unanimously approved the shared policy goal documents.

### Other Topics

Mark Baumler, state historic preservation officer, and Preservation Review Board members presented the biennial State Heritage Properties Stewardship Report. Following this report, Montana Historical Society Director Bruce Whittenberg updated the committee on plans for the Montana Heritage Center.

The committee also received updates and reports from the Montana Arts Council, the Montana Library Association, and the Montana Indian Language Preservation Pilot Program. The Office of Public Instruction also presented the At-Risk Students and American Indian Student Achievement biennial reports.

The committee considered several bill drafts to authorize the reassessment of school funding that is required by law to be undertaken at least every 10 years, but took no action.

### Committee Information

For more information about the committee's activities during the interim, visit the committee's Web site or contact Pad McCracken, committee staff.

Committee Web Site: [www.leg.mt.gov/elgic](http://www.leg.mt.gov/elgic)

Committee Staff: [padmccracken@mt.gov](mailto:padmccracken@mt.gov) or 406-444-3595

## Energy Committee Approves RPS Report

The Energy and Telecommunications Interim Committee finished its interim assignment to analyze Montana's renewable portfolio standard (RPS) and agreed in September to publish a report entitled "Renewable Rewards and Risks: A Look at the Impacts of Montana's Renewable Portfolio Standard."

The committee opted not to pursue any legislation related to Montana's RPS but finalized the report and findings, which include a recommendation that the RPS should remain static at the requirement of 15 percent renewable energy generation by 2015. Since 2008, the Montana Renewable Power Production and Rural Economic Development Act, better known as Montana's RPS, has required certain utilities to procure a percentage of their resources from renewable resources.

The committee also continued with its discussion and review of information concerning the Environmental Protection Agency's draft rules requiring states to reduce carbon dioxide emissions in the power sector by about 30 percent below 2005 levels by 2030. The federal rules are also known as the EPA's Proposed Clean Power Plan or 111d regulations.

In July, committee members asked the Environmental Quality Council to consider forming a subcommittee with the ETIC for the 2015-2016 interim in an effort to oversee the state's development of rules to comply with the federal requirement. The committee also sent a letter asking the Legislative Council to consider this issue as it prepared its budget package for the upcoming 2015 legislative session.

The committee is interested in tracking the rulemaking that the Department of Environmental Quality will undertake after the EPA finalizes its proposal. Committee members recognized that the EQC has oversight of DEQ and its rulemaking. The proposed rule, however, will impact about a dozen power generators in the state — and more specifically, Montana's two regulated utilities. It also raises questions about reliability in the power sector and the electrical grid, of which Montana is a part.

Both the EQC and the Legislative Council endorsed the subcommittee proposal, so in the next interim both ETIC and EQC members will be in a position to analyze the proposed federal rulemaking, track DEQ rulemaking, and report back to the full EQC, which retains its ultimate oversight of the DEQ.

The ETIC proposed a subcommittee with equal representation from both the committee and EQC and from both political parties. The subcommittee would consist of a House and Senate Democrat and a House and Senate Republican from both ETIC and the EQC for a total of eight members.

## Committee Information

For more information about the committee's activities during the interim, visit the committee's Web site or contact Sonja Nowakowski, committee staff.

Committee Web Site: [www.leg.mt.gov/etic](http://www.leg.mt.gov/etic)

Committee Staff: [snowakowski@mt.gov](mailto:snowakowski@mt.gov) or 406-444-3078

## EQC Sends Three Study Reports, Three Bills to 2015 Legislature

At its final meeting of the interim, the Environmental Quality Council approved three study reports and three bill drafts for consideration by the 2015 Legislature.

The reports deal with federal land management; hunting and fishing license fees; and the state's administration of historic properties in Virginia City, Nevada City, and Reeder's Alley in Helena.

One of the bills would increase certain hunting and fishing fees and make additional changes to the overall licensing system. Another bill aims to improve the effective operation of the Montana Heritage Preservation and Development Commission. The third bill is a proposed study of having the state assume some permitting authority under the federal Clean Water Act.

### **HB 609: Hunting and Fishing Licensing**

The council's House Bill 609 report, entitled "On the Hook: The Future of Fish and Wildlife Funding in Montana," makes 12 findings and recommendations related to Montana's hunting and fishing license system and the efforts of a citizens' advisory group to streamline and simplify it. The bill draft, LC 385, is based largely on the advisory group's recommendations. It would increase certain fees, create a base hunting license, and make other changes to the licensing system.

The EQC adopted the report unanimously and approved the bill draft on a 9-7 vote.

For more information, contact staffer Hope Stockwell at [hstockwell@mt.gov](mailto:hstockwell@mt.gov) or 444-9280.

### **SJR 4: State Historic Properties**

Senate Joint Resolution 4, passed by the 2013 Legislature, requested a review of the Montana Heritage Preservation and Development Commission's management of state-owned properties at Virginia City, Nevada City, and Reeder's Alley in Helena. The EQC approved a bill draft, LC 376, intended to focus the commission's activities on management of properties already acquired. It also would remove some of the statutory restrictions on how the commission is funded and how funding may be used.

For more information on the SJR 4 study or LC 376, contact Leanne Kurtz at [leekurtz@mt.gov](mailto:leekurtz@mt.gov) or 444-3593.

### **SJR 15: Federal Lands**

SJR 15 called for a study evaluating the management of certain federal lands in Montana, specifically those managed by the U.S. Forest Service and the Bureau of Land Management. About one-third of the land in Montana is managed by federal agencies. Many of the nation's natural resources occur on these lands, including timber, forage, minerals, coal, oil and gas, water, and wildlife. Management of these lands affects local economies, tax bases, employment opportunities, public safety, the surrounding environment, and recreational opportunities.

The SJR 15 report does not include any legislation. However, it contains a number of findings and recommendations mostly related to state and local involvement in the management of federal lands.

For more information, contact Joe Kolman at [jkolman@mt.gov](mailto:jkolman@mt.gov) or 444-3747.

### **Study Resolution for Dredge and Fill Permits**

Twice this interim, the EQC discussed proposed revisions to federal rules for administration of Section 404 of the Clean Water Act. In July, the EQC asked staff for more information related to state assumption of the permitting program that is jointly administered by the U.S. Army Corps of Engineers and the Environmental Protection Agency. Section 404 permits are required for actions that place dredged or fill material into wetlands and other waters of the United States as defined by law and rule.

Activities that may be covered include filling in a wetland for development, constructing dams and levees, building highways or airports, or mining. Certain farming and forestry activities are exempt from permitting.

The program aims to prevent the placement of materials into wetlands and waterways if the water would be significantly degraded or if a practicable alternative exists that is less damaging to the aquatic environment. A permit applicant must make an effort to avoid impacts to wetlands, streams, and other aquatic resources, show that potential impacts are minimized, and provide compensation for unavoidable impacts.

The study resolution would direct the EQC or another interim committee to:

- evaluate local, state, and federal permits for waterway projects to identify overlapping regulations;
- determine if Montana has the jurisdiction and authority to regulate activities covered by the dredge and fill permit required by the Clean Water Act;

- solicit information from the regulated community, conservation districts, local governments, the Department of Environmental Quality, the Department of Natural Resources and Conservation, the U.S. Army Corps of Engineers, the Environmental Protection Agency, and the public to determine potential benefits, disadvantages, and obstacles to state assumption of the dredge and fill permit program; and
- evaluate costs of applying for assumption of the dredge and fill permit program, estimate ongoing costs of administering the program, and identify state laws that may to be changed to assume primacy for the dredge and fill program.

### **Committee Information**

For more information on the council's activities during the interim, visit the council's Web site or contact Joe Kolman, council staff.

Council Web Site: [www.leg.mt.gov/eqc](http://www.leg.mt.gov/eqc)

Council Staff: [jkolman@mt.gov](mailto:jkolman@mt.gov) or 406-444-3747

### **LJIC Wraps Up Studies, Recommends 12 Bills**

The Law and Justice Interim Committee finished its interim work in September by sending 12 proposals to the 2015 Legislature for its consideration. The proposals mark the end of 18 months of work on two assigned studies and other interim duties.

After an interim filled with presentations, reports, and public comment, the committee recommended five changes to the structure and operation of the Montana Board of Pardons and Parole. The recommendations include:

- making the board comply with more of the laws that govern how executive agencies adopt and revise administrative rules;
- requiring board meetings and parole hearings to be video-recorded;
- clarifying that the governor may change the presiding officer of the board without removing that person from the board;
- moving parole criteria from administrative rule to statute; and
- allowing the governor to weigh in on executive clemency decisions even when the board doesn't recommend that clemency be granted.

## Family Law Study

To complete the Senate Joint Resolution 22 study of family law procedures and alternatives, the committee made four recommendations to the 2015 Legislature for smaller changes to the laws that govern how Montanans start and end marriages and provide for the parenting of children.

The proposals would:

- allow a husband to restore his original name as part of a divorce filing if he had changed it previously;
- clarify who must ask a court to amend a parenting plan when one parent relocates;
- adjust the debt limit that is allowed in summary dissolutions; and
- remove the requirement to have a final hearing when a dissolution is uncontested.

## Other Bills

The committee also adopted three other committee bills related to its nonstudy work on re-entry of individuals from a correctional setting to a community and to its oversight of the Department of Corrections. Two of the proposals came from the final report of a task force established to study re-entry in Montana. That task force met regularly throughout the interim, and the committee followed its work closely.

One proposal would allow the Department of Corrections to set a minimum amount of inmate earnings that must be saved for re-entry costs. The second would allow the department to give housing vouchers to offenders who have been granted parole but have not yet been released from secure custody because appropriate housing cannot be arranged.

In addition, the committee voted to request a study resolution that, if adopted, would spark the study next interim of the Crossroads Correctional Center, a privately operated prison in Shelby, and the Department of Corrections' oversight of that facility. Also, the committee sent a letter to the Legislative Audit Committee asking it to conduct a performance audit of the Department of Corrections' oversight of its contract for the operation of the Shelby facility.

## Committee Information

For more information on the committee's activities during the interim, visit the committee's Web site or contact Rachel Weiss, committee staff.

Committee Web Site: [www.leg.mt.gov/ljic](http://www.leg.mt.gov/ljic)

Committee Staff: [rweiss@mt.gov](mailto:rweiss@mt.gov) or 406-444-5367

## Committee Reviews Audits

The Legislative Audit Committee met in Helena Sept. 17 to discuss the proposed budget that the Legislative Audit Division will submit to the 2015 Legislature, as well as other legislative issues. The committee then reviewed recent audits of state agencies and programs as follows.

- A performance audit of the Department of Revenue's property tax relief programs (14P-02) discussed how the department administers property tax relief through the following programs: Property Tax Assistance Program, the Disabled American Veterans Exemption, and the Elderly Homeowner/Renter Program. The report included recommendations for improving how the department verifies qualifying criteria and ensures that taxpayers receive relief based on statutory guidance. The report also provided information regarding the overall distribution of property tax relief in the state, including whether taxpayers are accessing multiple property tax relief programs.
- An audit of the Public Employees' Retirement Information System (PERIS) Development Life Cycle (14DP-03) contained three recommendations to improve monitoring and documentation of project management decisions by the Montana Public Employee Retirement Administration regarding the new \$11 million system.
- The Offender Management Information System (OMIS) managed by the Department of Corrections is used to collect and monitor information on all adult male and female offenders. An information systems audit (13DP-04) of OMIS looked at the integrity of the data within the system. The report contained recommendations for enhancing program and system controls related to using OMIS as the primary record, correlating data creation and entry, and using OMIS to calculate all offender sentence terms. The report also included recommendations related to access, training and guidance, and backup and recovery.
- A contracted financial compliance audit of the Montana Medical Legal Panel (14C-05) made no recommendations.

The committee also heard updates regarding follow-up work on five audits: the One-Stop Business Licensing Program (14SP-16), administration of Montana's Unemployment Insurance Program (14SP-06), the Alternative Energy Revolving Loan Program (14SP-10), Montana State Veterans' Homes (14SP-11), and ways to strengthen processes related to governance of information technology (13SP-16).

The Legislative Audit Division provides independent and objective evaluations of the stewardship, performance, and cost

of government policies, programs, and operations. The division is responsible for conducting financial, performance, and information system audits of state agencies and programs, including the Montana university system.

For more information, call the division at 406-444-3122 or visit <http://leg.mt.gov/audit>. To report suspected improper acts committed by state agencies, departments, or employees, call the division's fraud hotline at 800-222-4446 or 406-444-4446 in Helena.

## Council Continues Session Preparations

At its Sept. 4 meeting, the Legislative Council continued preparing for the 2015 legislative session by approving several items related to operation of the legislative branch. Council members approved the Legislative Branch Information Technology Plan, a pay matrix for staff members hired for the session, and the operational costs of the session itself.

The council also approved the preliminary budget submittal for the legislative branch, contingent on the Legislative Audit Committee and the Legislative Finance Committee approving the budgets of their respective divisions.

Members considered but did not act on a proposal to fund one part-time staff member for each political party caucus during the interim to assist the legislative leaders. The proposal will be reviewed in November.

## Subcommittee Continues Rules Work

The council's Rules Subcommittee is expected to meet in October to make final recommendations for the joint, House, and Senate rules for the 2015 Legislature.

The council will consider the subcommittee's proposals at its next meeting in November and will make recommendations to the rules committees that will be appointed for the 2015 session. Also in November, the council will discuss the so-called "feed bill," which pays for costs of the 2015 legislative session, and may discuss other proposals for legislative staffing or compensation.

## Next Meeting

The council is tentatively scheduled to meet at 11:15 a.m. on Nov. 13 in Room 317 of the Capitol in Helena. The brief meeting will coincide with Legislator Orientation. For more information on the council's activities and upcoming meeting or on party caucuses and orientation, visit the council's Web site or contact Susan Byorth Fox, council staff.

Committee Web Site: [www.leg.mt.gov/legcouncil](http://www.leg.mt.gov/legcouncil)

Committee Staff: [sfox@mt.gov](mailto:sfox@mt.gov) or 406-444-3066

## Revenue Committee Forwards Bills, Hears Reappraisal Plans

The Revenue and Transportation Interim Committee held its last regular meeting of the interim on Sept. 4-5, with members wrapping up work on their assigned studies and hearing about the property tax reappraisal process.

Department of Revenue Director Mike Kadas updated the committee on the reappraisal cycle by previewing the reappraisal presentation DOR plans to provide in communities throughout the state. DOR staff also discussed the property appeals packet provided to taxpayers who wish to appeal their property valuation.

At the request of the committee, there was also a brief presentation of the sales assessment ratio study from the 2009 reappraisal.

During the director's report, the department asked for authorization for early drafting and pre-introduction of three additional agency legislative proposals. RTIC approved the request for the bill drafts, which would protect agency debts from federal offset, reform tax increment finance district remittance procedures, and amend reporting dates for per capita livestock fees.

## Interim Studies

The committee considered two bill drafts in September for the Senate Joint Resolution 23 study of the taxpayer appeal process. The committee approved as a committee bill LC 375, which was considered in draft form as LC 9906. The bill would revise DOR's uniform dispute review laws.

The committee also chose draft bill LC02v3 from among a few options to allow industrial property taxpayers to appeal valuations directly to the State Tax Appeal Board, while still retaining the ability to appeal to the county tax appeal board. DOR suggested revising the draft to clarify that the State Tax Appeal Board review is *de novo*. Staff will work with DOR and other stakeholders and provide an updated draft at the November meeting.

After reviewing a requested bill draft related to oversize load corridors, the committee decided against pursuing legislation for the SJR 26 study of the movement of oversize loads. The committee did ask to include a recommendation in the final report that the Montana Department of Transportation protect currently accessible oversize load routes.

## Review of Required Reports and Advisory Councils

The committee heard the last of the reports that DOR and MDT are required by law to provide. Members requested a committee bill to change the reporting requirements for four reports from once each year to once each biennium. The

affected reports are the charitable endowment credit and biodiesel blending and storage credit reports provided by DOR and the dyed diesel enforcement and biodiesel fuel tax incentives reports from MDT.

DOR also presented a required report on property tax abatements for gray water systems. The report indicated that no property owner has used the abatement. The committee asked staff to draft a bill to repeal the gray water systems property tax abatement and will review the draft in November.

The committee also approved a committee bill related to the review of advisory councils. LC 374 would require the appointment of nonvoting legislative members to the Agricultural Land Valuation Advisory Committee, which advises DOR on matters related to the valuation of agricultural property. The bill also would remove the requirement that DOR adjust the capitalization rate, base period, averaging method, and allowable water costs only upon a recommendation from the Agricultural Land Valuation Advisory Committee.

### **Revenue-Estimating and Monitoring**

The committee heard several economic outlook presentations to support its revenue-estimating duties. The presenters included Patrick Barkey from the University of Montana Bureau of Business and Economic Research, Barbara Wagner from the Department of Labor and Industry, Myles Watts from Montana State University, Glenn Oppel with the Montana Chamber of Commerce, and Jim Difley, Doug Handler, and Steve Frable from IHS., a company that provides economic forecast data to the state.

Legislative Fiscal Division staff also presented the fiscal year-end report, and Budget Director Dan Villa provided the Office of Budget and Program Planning's perspective on the revenue estimate.

### **Other Committee Action**

Staff presented a bill requested by the committee in July to amend tax penalty and interest provisions. George Olsen, representing the Montana Society of CPAs, and Gene Walborn, administrator of the DOR Business and Income Taxes Division, each suggested changes to the draft. The committee directed staff to incorporate the changes into the draft and provide an updated draft at the November meeting.

The committee also considered and approved the concept of moving agency monitoring functions for the State Tax Appeal Board from the State Administration and Veterans' Affairs Interim Committee to RTIC. SAVA approved the idea at its August meeting, and with RTIC's agreement, a jointly requested bill draft will be prepared.

Transportation Director Mike Tooley also provided the committee with a brief update on the federal Highway Trust Fund.

### **Next Meeting**

The committee will hold its final meeting on Nov. 20 in Room 137 of the Capitol in Helena to adopt a revenue estimate for the upcoming legislative session. For more information on the committee's activities and upcoming meeting, visit the committee's Web site or contact Megan Moore, committee staff.

Committee Web Site: [www.leg.mt.gov/rtic](http://www.leg.mt.gov/rtic)  
Committee Staff: [memooore@mt.gov](mailto:memooore@mt.gov), 406-444-4496

### **State-Tribal Committee Supports Measures on State Signage, CSKT Water Compact**

The State-Tribal Relations Committee agreed to send one bill and one resolution to the 2015 Legislature when it held its final meeting of the legislative interim on Sept. 10.

The bill, LC 349, would remove the terms "half-breed" and "breed" from signage and geological features in Montana. The resolution, LC 461, would resolve that when the Montana Reserved Water Rights Compact Commission, the Confederated Salish and Kootenai Tribes, and the United States agree on a water compact, the Montana Senate and House of Representatives shall support passage of the compact.

The committee also discussed — but decided against introducing — a resolution urging Congress to allocate a portion of federal excise taxes on sport fishing to tribal wildlife and fish management programs.

Committee members also heard an update by the director of the Governor's Office of Indian Affairs on its activities in Indian country and two reports on the Montana Indian Language Preservation Pilot Program, one by Legislative Services Division staff and the other by the director of the State-Tribal Economic Development Commission of the Department of Commerce.

The legislative staff report described all of the pilot projects as adhering to their original project purposes as set down in pilot applications and agreements, adhering to the time frames, and adhering to the funding parameters. The report also noted the wide diversity of pilot activities that were developed and implemented in the past year. The projects must continue to report to the Montana Historical Society on the activities they have accomplished.

### **Committee Information**

For more information on the committee's activities during the interim, visit the committee's Web site or contact Casey Barrs, committee staff.

Committee Website: [www.leg.mt.gov/tribal](http://www.leg.mt.gov/tribal)  
Committee Staff: [cbarrs@mt.gov](mailto:cbarrs@mt.gov) or 406-444-3957

## Water Committee Reviews Compact, Sets October Meeting

Water experts and legislative staff unveiled separate analyses of the proposed Confederated Salish and Kootenai Tribes water rights settlement at the September meeting of the Water Policy Interim Committee. The committee then agreed to meet again Oct. 29-30 to perhaps offer recommendations for the final CSKT settlement.

The WPIC asked in May for a legal analysis and a technical analysis. In part, these analyses were to answer questions about the water rights settlement submitted by Rep. Nancy Ballance, R-Hamilton, Rep. Keith Regier, R-Kalispell, and 48 other lawmakers.

The legal analysis responded to questions ranging from the “purpose of the Flathead Indian Reservation” to how the Legislature may (or may not) alter the water rights settlement in future years.

The technical analysis was completed by the six-member CSKT Compact Technical Working Group led by John Metesh, state geologist and director of the Montana Bureau of Mines and Geology. The working group met 10 times this summer to consider not only questions posed by Ballance and Regier but also any relevant technical information.

The technical working group’s analysis concluded that the “modeling used to build a quantitative foundation for the CSKT water rights settlement is reasonable,” although the group identified some shortcomings and agreed additional work is necessary “for irrigation to practically function under the terms of the proposed compact.”

Both the legal and technical analyses are on the committee’s Web site, [www.leg.mt.gov/water](http://www.leg.mt.gov/water). Discussion of the settlement, including an update on “limited” renegotiations between the tribe and the Reserved Water Rights Compact Commission, will again be on the committee’s October agenda.

## State Water Plan

Tim Davis, division administrator with the Department of Natural Resources and Conservation, presented the draft State Water Plan to the committee Sept. 9.

The document contains reference information, including:

- an inventory of consumptive and nonconsumptive uses of water;
- an estimate of the amount of surface and ground water needed to satisfy future demands;
- analysis of the effects of drought;

- proposals to satisfy existing water rights and future demands; and
- possible future sources of water.

The draft State Water Plan also offers short-term and long-term recommendations related to water supply and demand, water use administration, water information, ecological health and environment, and collaborative planning and coordination.

DNRC will hold public meetings on the draft State Water Plan across Montana this fall before delivering a final plan to the 2015 Legislature. The Legislature may alter the plan by resolution; individual recommendations may also become individual pieces of legislation.

## Committee Considers Six Bill Drafts

The committee also directed staff to draft six bills for consideration at the October meeting. The drafts are:

- a bill to revise SB 355 from the 2013 Legislature, to allow those with unfiled, pre-1973 stock water and domestic water rights claims to petition the Water Court for potential inclusion in basin decrees;
- a bill related to nutrient standards and variances, focusing on nonseverability language;
- a bill to study the future of legal processes for water rights;
- a bill diverting some Metal Mines License Tax dollars to clean up abandoned mines;
- a bill to give the committee oversight responsibility for one or more state agencies, because it currently does not have that authority for any specific agencies; and
- a bill restoring funding levels to the Ground Water Investigation Program. The Legislature appropriated money to the Montana university system for the program in 2009, but the university system has not spent the full appropriation on the program.

## Next Meeting

The committee has tentatively scheduled its last meeting of the 2013-2014 interim for Oct. 29-30. For more information on the committee’s activities and the upcoming meeting, visit the committee’s Web site or contact Jason Mohr, committee staff.

Committee Web Site: [www.leg.mt.gov/water](http://www.leg.mt.gov/water)

Committee Staff: [jasonmohr@mt.gov](mailto:jasonmohr@mt.gov) or 406-444-1640

## The Back Page

### New Year Will Bring New Property Values, Tax Decisions for Legislature

by Megan Moore  
Legislative Research Analyst  
Legislative Services Division

What was the value of your property in 2008 and how does that compare with the value of your property as of Jan. 1, 2014? Owners of residential, commercial, agricultural, and forest property will soon know the answer to that question. The Department of Revenue is in the process of revaluing these types of property. Assessment notices will be available in the spring of 2015, and the November 2015 property tax bill will be based on the new value.

Revaluing property is just one step in the process, however. The Legislature generally chooses to amend property tax rates after reviewing data showing the updated property values. This article discusses the constitutional and statutory authority for reappraisal, gives an overview of the property tax including the roles of the different players in the reappraisal process, discusses valuation approaches for different types of property, and provides preliminary reappraisal information.

#### Authority for Reappraisal

Article VIII, Section 3, of the Montana Constitution requires the state to “appraise, assess, and equalize the valuation of all property which is to be taxed in the manner provided by law.” Two important factors are that appraising property is a state function rather than a local function, as it is in many other states, and that the values must be equalized.

State law requires that Class 3 property (agricultural), Class 4 property (residential and commercial), and Class 10 property (forest) be revalued every six years. All other property is revalued annually.

It is important to understand that mass appraisal is used to reappraise property in Montana. Mass appraisal is the appraisal of groups of properties as of a given date using standardized procedures and statistical testing. Home sales generally require an appraisal in which an appraiser visits the property and provides an appraisal based on the property features and nearby, comparable sales. This is called a fee appraisal. Mass appraisal also takes specific property features and comparable sales into account, but an appraiser does not necessarily visit the property.

#### The Reappraisal Cycle

The 2015 reappraisal cycle will be the eighth reappraisal cycle since the state adopted the 1972 Constitution. The first reappraisal cycle, beginning in 1972, was six years in length, and the three reappraisal cycles since 1997 were also six years each. In between 1972 and 1997, there was an eight-year cycle

running from 1978 to 1985, a seven-year cycle from 1986 to 1992, and a four-year cycle from 1993 to 1996. The Legislature sets the revaluation cycle.

The 2013 Legislature considered two bills that would have shortened the revaluation cycle. The 2011-2012 Revenue and Transportation Interim Committee requested Senate Bill 4, which provided for one two-year revaluation cycle beginning in 2015 and annual revaluation beginning in 2017. The bill applied to agricultural, forest, residential, and commercial property. The Senate Taxation Committee tabled SB 4 and instead advanced SB 393, which would have changed the revaluation cycle from six years to two years for agricultural, forest, residential, and commercial property. SB 398 passed the Senate but was tabled in the House Taxation Committee.

While the Legislature was considering bills to shorten the revaluation cycle, the Montana Supreme Court also was weighing the revaluation cycle length in the case *Covenant Investments, Inc. v. Department of Revenue*. Covenant claimed an equal protection violation because the value of its property dropped following the 2008 revaluation but Covenant was still required to pay taxes based on the 2008 valuation throughout the six-year appraisal cycle.

District Judge Holly Brown of Bozeman determined in November 2012 that the six-year valuation cycle as applied to Covenant violated the taxpayer’s right to equal protection. The Montana Supreme Court overturned that decision in August 2013, finding that DOR did not treat Covenant differently from similarly situated taxpayers.

Although the Montana Supreme Court affirmed the use of a six-year valuation cycle in the Covenant case, the notion of shortening the reappraisal cycle came up periodically in questions and comments throughout the 2013-2014 interim in both the Revenue and Transportation Interim Committee meetings and in meetings of Department of Revenue advisory councils. The Legislature may see bills in the 2015 legislative session to change the revaluation cycle.

#### An Overview of the Property Tax

The property tax in Montana is multifaceted and can seem complex. This section breaks down the different steps and components of the property tax by explaining how the property tax is calculated, how different property types are valued, and the roles of the involved parties.

### Calculating the Property Tax

The basic calculation of the tax rate can be summarized in the following equation:

$$\text{Market Value} \times \text{Tax Rate} = \text{Taxable Value} \times \text{Mill Levy} = \text{Tax}$$

The subsequent sections break down this equation and explain each part of the process, including the party responsible for each step.

### Market Value

The Department of Revenue appraises properties to come up with a market value or productivity value. Although DOR is responsible for the actual reappraisal, the Legislature does offer some guidance on how certain property should be appraised. Residential property and commercial property are appraised based on market value, and agricultural and forest property are appraised on productivity value. This distinction is set out in statute with the purpose of preventing valuation of agricultural land or forest land based on speculative purchases.

#### *Valuation Approaches for Residential and Commercial Property*

Residential property is valued primarily using the sales comparison approach. DOR uses sales of comparable properties within the region to determine the value. Commercial property may be valued using a combination of approaches, including the income approach, the sales comparison approach, and the cost approach. The income approach uses a discounted income stream to establish a value.

Importantly, for commercial property, the income considered for the income approach is the income derived from leasing the property, not the income generated by a business that occupies the property. The cost approach values the property based on the value of the land and the estimated depreciation of the improvements.

### *Agricultural Property*

Agricultural property is valued based on its productive capacity using the income approach. The value is equal to the net income divided by a capitalization rate. The capitalization rate is set in statute by the Legislature at 6.4 percent, but DOR may adopt a different rate by administrative rule if the Agricultural Land Valuation Advisory Committee recommends a different rate. For the 2015 reappraisal, DOR plans to use the 6.4 percent capitalization rate.

Net income is determined separately by property subclass and must be based on commodity price data, such as grazing

fees, crop and livestock share arrangements, cost of production data, and water cost data. Income is arrived at by multiplying the commodity price, the productivity of the land, and the crop share. The following allowable costs are also deducted: per-acre labor costs, energy costs of irrigation, and a base water cost of \$15 for each acre of irrigated land.

The base crops are identified in statute as follows: the irrigated land base crop is alfalfa hay adjusted to 80 percent of the sales price, the nonirrigated land base crop is spring wheat, and the base unit for valuing grazing lands is animal unit months. An animal unit month is the average monthly requirement of pasture forage to support a 1,200-pound cow with a calf or its equivalent.<sup>1</sup>

DOR arrives at a price for the above base crops or base units by averaging the commodity prices over a period of years. The Legislature has set this period at seven years but allows DOR to adopt a different period by administrative rule upon a recommendation of the Agricultural Land Valuation Advisory Committee. For the 2015 reappraisal cycle, DOR plans to use a 10-year base period.

Statute also directs DOR to remove the highest and lowest prices before averaging the data. Again, the Agricultural Land Valuation Advisory Committee may recommend a different averaging method, and DOR may adopt that averaging method by administrative rule. The committee did not recommend a different averaging method for the 2015 reappraisal.

### *Forest Property*

Like agricultural property, forest property is valued based on its productivity value, which is equal to net income divided by a capitalization rate. Net income is calculated by multiplying mean annual net wood production by stumpage value, adding other agricultural income, and subtracting forest costs.

Mean annual net wood production is the average net usable volume of wood that one acre of forest land will grow in one year under average current and actual forest conditions and under current and reasonable management practices by forest valuation zone. The stumpage value is the amount that timber would sell for under an arm's-length transaction. DOR contracts with the University of Montana College of Forestry to determine forest valuation zones, stumpage values, and productivity.

### Tax Rate

"Tax rate" is a somewhat misleading term but is used here because that is the term used in statute. The tax rate is the portion of market value that is subject to taxation. The tax

<sup>1</sup>The last reappraisal used a 1,000-pound cow for the animal unit month. DOR requested, and the 2011 Legislature approved, the change to the 1,200-pound figure to reflect current cow weights.

rate is set by the Legislature in statute. Tax rates for residential and commercial property are provided for in 15-6-134, MCA. The tax rate for Class 3 agricultural property is linked to the tax rate for Class 4 residential and commercial property as provided in 15-6-133(2), MCA. The tax rate for Class 10 forest property is provided for in 15-6-143, MCA.

The tax rates listed in statute for these properties differ for each year between 2009 and 2013. The rates for residential, commercial, and agricultural property range from 2.93 percent in 2009 to 2.47 percent for 2013 and later years. The forest property rates range from 0.34 percent in 2009 to 0.29 percent for 2013 and later. The Legislature specified different tax rates for each year because statute requires valuation changes to be phased in. Phasing in the values at a rate of 16.66 percent per year for each year of the six-year cycle moderates the impact on taxpayers with a large increase in value over the six years. As the value gets phased in or increases, the tax rate decreases.

Moving from market value to taxable value is made slightly more complicated by the fact that the Legislature provides an exemption for a portion of residential and commercial property. For 2014, 47 percent of the market value of residential property and 21.5 percent of the market value of commercial property is exempt from taxation. This exemption is calculated before the tax rate is applied. As a result, for 2014, a residential property taxpayer pays taxes on 53 percent of market value and a commercial taxpayer pays taxes on 78.5 percent of market value.

These exemptions, often referred to as the homestead and comstead exemptions, allow residential, commercial, and agricultural property to have identical tax rates without shifting the tax burden among the different types of taxpayers.

#### Taxable Value

The taxable value is the product of the market value (minus the homestead or comstead exemption) and the tax rate. DOR certifies taxable values to all taxing jurisdictions.

#### Mill Levies

Taxing jurisdictions — including county commissions, city commissions, school districts, and special districts — create budgets and calculate mills for their respective jurisdictions. One mill is equal to 1/1,000 of a dollar.

The county commission compiles and approves mill levies for property in the county. The number of mills is multiplied by the taxable value to arrive at the tax due.

The Legislature has also set the following education-related mill levies: 33 mills for elementary equalization, 22 mills for high school equalization, 40 mills for state equalization, and six mills for the university system. In addition, each of five counties with two-year colleges (Cascade, Lewis and Clark, Missoula, Silver Bow, and Yellowstone) levies 1.5 mills for vocational-technical education.

#### Taxes

The county treasurers calculate, bill, and collect all property taxes that are due.

#### **Preliminary Impacts of Reappraisal**

DOR is in the process of finalizing reappraisal data and will present data to the Revenue and Transportation Interim Committee on Nov. 20. Following are some preliminary expected impacts of reappraisal:<sup>2</sup>

- Residential property values are expected to increase minimally except for counties impacted by the Bakken oil fields, which will see larger increases. The increases are expected to be minimal because the 2008 values (the last time residential property was valued) reflected the pre-recession values. Home values generally fell during the recession and are now recovering to pre-recession levels.
- Commercial construction costs are expected to increase minimally.
- Commodity prices are higher statewide than they were during the last reappraisal cycle, even with the use of a 10-year averaging method. The commodity prices are part of a larger formula used to value agricultural land.
- Stumpage values are expected to decrease statewide, resulting in lower forest land values.

#### **The Role of the Legislature**

After receiving property reappraisal data from DOR, the Legislature will determine whether to make any changes to the current tax rates and exemptions. One way to approach reappraisal is to think of the goal. Should the status quo be maintained? Or should there be shifts between different property types?

Owners of the property types that are on the six-year reappraisal cycle paid about 80 percent of property taxes by class for fiscal year 2014: residential property taxpayers paid 47 percent, commercial property taxpayers paid 28 percent, and agricultural and forest land taxpayers paid 5 percent. The remaining 20 percent of property tax revenue is made up of centrally assessed and personal property taxes, which account

<sup>2</sup> Department of Revenue, [2015 Property Reappraisal](#), slide 22.

for slightly less than 9 percent each, and natural resources property taxes at a little more than 1 percent.<sup>3</sup>

In the past, the Legislature has worked to keep taxable value neutral by class following reappraisal. Taxable value is the product of market or productivity value and the tax rate. Market value and productivity value will change with the new valuation. To keep taxable value neutral, the Legislature would have to change the tax rates in statute. If the Class 4 (residential and commercial) and Class 3 (agricultural) property tax rates remain linked in statute, the Legislature also will likely need to amend the homestead and comstead exemptions to maintain taxable value neutrality.

In presentations to the Revenue and Transportation Interim Committee, DOR has suggested that this reappraisal cycle may be a good opportunity for the Legislature to move away from phasing in property values. Phasing in the property values over the six-year cycle has the effect of moderating the impact of large valuation increases. If this revaluation cycle does not bring large valuation increases, the property tax could be simplified by removing the complexity of phased-in values.

Another consideration for the Legislature is how to work through various issues surrounding reappraisal. During the 2009 legislative session, a joint select committee made up of members of the Senate and House Taxation Committees worked on bills related to mitigating reappraisal. The committee received informational presentations from DOR and then worked on bill concepts as a committee. In the reappraisal cycle before that, however, the taxation committees incorporated reappraisal mitigation into regular committee proceedings.

### **Conclusion**

The coming months are sure to include increased attention on the topic of reappraisal. DOR staff members are traveling around the state presenting informational sessions on reappraisal. The sessions are open to the public, and the schedule can be viewed at <http://revenue.mt.gov/home/property/reappraisal.aspx#horizontalTab2>.

The Revenue and Transportation Interim Committee also will be reviewing data at its Nov. 20 meeting. Legislators also may have an opportunity early in the 2015 legislative session to attend a DOR informational session on reappraisal.

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<sup>3</sup> Department of Revenue, [2014 Property Reappraisal Presentation](#), slide 5.